

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-07 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 /103 W

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R 181425Z JAN 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 6913

USDOC WASHDC

INFO AMEMBASSY ATHENS

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

USINT BAGHDAD

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY RABAT

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

UNCLAS SECTION 1 OF 2 JIDDA 0435

E.O. 11652: N/A

TAGS: EALR, ETRD, ECON, SA

SUBJECT: CURRENT SAUDI BUSINESS SCENE- JANUARY 1977

1. SUMMARY.

IN CONTRAST TO THE COMMERCIAL EUPHORIA, THE HORDES
OF FOREIGN BUSINESS VISITORS, THE GOLD-RUSH ATMOSPHERE
AND NON-STOP BUSINESS ACTIVITY OF LATE 1975 AND EARLY
1976, THERE APPEARS TO BE A COMMERCIAL LULL IN JIDDA.
REAL ESTATE RENTAL COSTS SHOW SIGNS OF SOFTENING AND LAND
SPECULATION HAS COOLED. LOCAL BUSINESSMEN HAVE MORE
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TIME AND ALTHOUGH HOTEL SPACE IS STILL DIFFICULT, THERE
ARE NO BUSINESSMEN SLEEPING IN TAXIS AND HOTEL LOBBIES
AS OCCURRED FREQUENTLY LAST YEAR. WE ESTIMATE THAT
THIS IS ONLY A LULL. THERE ARE SUFFICIENT INDICATIONS
TO BELIEVE THAT BUSINESS ACTIVITY WILL SPURT
TO NEW HIGHS AGAIN. END SUMMARY.

2. THE SWARMS OF BUSINESS VISITORS THAT DESCENDED ON JIDDA IN LATE 1975 AND EARLY 1976 APPEAR TO HAVE LESSENED IN NUMBER, AT LEAST FOR THE TIME BEING. IN NOVEMBER 1975, THE COMMERCIAL CENTER AND THE EMBASSY HAD 151 VISITORS DESPITE BEGINNING OF HAJ PERIOD. IN NOVEMBER 1976, THE VISITORS TOTALED ABOUT 70. THE DECREASE WAS ATTRIBUTED TO THE OCCURRENCE OF THE HAJ PERIOD, A LUNAR ORDAINED MUSLIM SEASON WHICH ADVANCES ABOUT 11 DAYS A YEAR. HAJ PERIOD ENDED ABOUT DECEMBER 20, BUT VISITORS WERE DOWN TO ABOUT 15 WEEKLY AT THE CENTER AND ABOUT 14 WEEKLY AT THE EMBASSY. CHRISTMAS AND NEW YEAR SEASON MAY ACCOUNT FOR DECLINE, BUT DISCUSSIONS WITH SAUDI BUSINESSMEN INDICATE THAT BUSINESS INTEREST FROM ABROAD HAS SUBSIDED FROM THE EARLY PEAKS. LETTER AND TELEGRAM INQUIRIES ARE ALSO DOWN.

3. LOCAL BUSINESS ACTIVITY, IN COMPARISON WITH THE FRENETIC PACE OF LAST YEAR, ALSO APPEARS TO HAVE DECLINED. THE QUICK-FIX SOLUTIONS AND IMPROVED MANAGEMENT AT THE SEAPORTS COMBINED WITH THE LOWER NUMBER OF SHIP ARRIVALS APPEAR TO HAVE REMOVED SOME OF THE ECONOMIC STRESSES. CEMENT WHICH SOLD IN THE SPRING OF 1976 AT SR 32 TO 36 PER 100 LB. BAG, IS NOW AVAILABLE AT SR 12 TO 14. ALTHOUGH THE HEAVY RATE OF HOUSING CONSTRUCTION CONTINUES IN THE PRIVATE SECTOR, CUSTOMERS CAN NOW DICKER, AND AT LEAST RENTAL PRICES ARE NOT ESCALATING AT THE 15 TO 20 PERCENT A MONTH RATE OF THE 1975/76 PERIOD. DESPITE THE FACT THAT ABOUT 20 PERCENT OF NEW HOMES ARE UNCLASSIFIED

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BEING HELD OFF THE MARKET IN HOPES OF BETTER RENTS, ANNUAL RENTALS FOR 3-BEDROOM VILLAS STILL COMMAND \$50,000 PRICES. THE SIGNIFICANT FACTOR IS THAT THERE HAVE BEEN NO INCREASES IN THE PAST TWO MONTHS. A NEW TWIST ALSO IS THAT ADVERTISEMENTS OF HOUSING ARE APPEAR-
ING. LAND PRICES WHICH SPIRALED IN ONE OF THE HEAVIEST SPECULATIVE PERIODS EVER WITNESSED IN JIDDA HAVE FALLEN FROM THE \$2 MILLION HIGH FOR AN ACRE OF CITY LAND IN EARLY 1976. SOME SPECULATORS HAVE LOST UP TO 30 PERCENT.

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4. THE COMMERCIAL CURIOSITY SEEKERS AND FORTUNE HUNTERS
VISITING FROM ALL COUTRIES WHO SEEMED TO OUTNUMBER THE
MORE SERIOUS BUSINESSMEN IN THE PAST, HAVE DECLINED
IN NUMBER. STIMULATED BY PRESS REPORTS ABOUT THE
BONANZA ATMOSPHERE IN SAUDI ARABIA, THEY HAVE COME AND
GONE WITH MIXED DEGREES OF SUCCESS AND FAILURE. THE
QUALITY OF THE CURRENT BUSINESS VISITOR IS HIGHER. ALL
OF THEM APPEAR MORE SERIOUS AND WILLING TO PERSIST
IN EFFORTS TO PENETRATE THE MARKET. MANY OF THESE ARE
ON REPEAT VISITS. ITALIAN, GERMAN BRITISH, AUGSTRALIAN
AND CANADIAN COLLEAGUES HAVE ALSO REMARKED ON THIS
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ASPECT. ONE INTERESTING RESULT IS THAT THE MORE SIGNIF-
ICANT SAUDI BUSINESSMEN ARE MORE WILLING TO SEE COMMERCIAL
TRAVELERS AGAIN. THEY FEEL LESS BESIEGED. ALTHOUGH
HOTEL RESERVATIONS ARE STILL TIGHT, A 60-DAY ADVANCE
NOTICE CAN SECURE A ROOM AND THE EMBASSY HAS BEEN ABLE
TO HELP VISITORS OBTAIN ACCOMMODATIONS ON AN EMERGENCY
BASIS WHERE PREVIOUSLY THIS WAS IMPOSSIBLE. ANOTHER
INDICATOR OF THE FALL-OFF IS THE PRICE RECENTLY QUOTED
FOR HIRE OF A CAR AND DRIVER FOR AN 8-HOUR DAY. THE MOST

RECENT PRICE WAS SR235 COMPARED TO SR300/360 A YEAR AGO.

5. DESPITE THIS COMMERCIAL LULL, WE FEEL THAT THE COMMERCIAL ACTIVITY IS AT A PLATEAU POINT AND THAT WITHIN MONTHS THERE WILL BE ANOTHER SPURT, PROBABLY LONGER LASTING, IF LESS INTENSE. THE SAUDI ECONOMY IS ONLY ONE AND ONE HALF YEARS INTO THE FIVE-YEAR PLAN. ABOUT 142 PROJECTS HAVE BEEN TENDERED AND THE BULK OF THE ECONOMIC EXPANSION PLANS ARE YET TO COME. THE SENSITIVE INTERNATIONAL BUSINESS COMMUNITY MAY HAVE HAD THE EXCITEMENT ABOUT THIS MARKET DAMPENED BY REPORTS OF CLOGGED PORTS, MORATORIALS ON AIR-CARGO, THE SAG REAPPRAISAL OF THE PLAN, AND PRIORITIES. US AND CANADIAN BUSINESSMEN MAY HAVE HAD SOME ENTHUSIASM DAMPENED BY PUBLICITY ABOUT ANTI-BOYCOTT REGULATIONS IN FORCE OR CONTEMPLATED. HOWEVER, VISITING U.S. BUSINESSMEN HAVE NOT GRUMBLED SIGNIFICANTLY ABOUT THIS.

6. THE EASING OF PRESSURE ON THE PORT CAN BE ATTRIBUTED TO SEVERAL FACTORS. OTHER PORTS SUCH AS AQABA IN JORDAN, SYRIAN PORTS AND KUWAIT PORT HAVE BEEN USED AS ALTERNATES FOR ONWARD TRANSSHIPMENT TO DESTINATIONS BY ROAD. ROLL-ON/ROLL-OFF SERVICES HAVE INCREASED HEAVILY. GOODS FROM EUROPEAN POINTS AS FAR AWAY AS SWEDEN, HAVE BEEN REACHING JIDDA BY LAND TRANSPORT. TRAILER TRUCKS FROM EUROPE ARE HEAVILY IN EVIDENCE. COSTS ARE HIGH BECAUSE THERE IS NO RETURN CARGO, AND CONSIGNEES IN SAUDI ARABIA MUST UNDER-

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TAKE PAYMENT FOR THE RETURN TRIP. SHIPPING LINES WITH CARGO FOR ONWARD PORTS ARE TENDING TO AVOID JIDDA. THE HELICOPTER, BARGE, AND LST OPERATIONS AT JIDDA HAVE INCREASED OFF-LOADING RATES ABOUT 10/12,000 TONS DAILY. NEW PORT REGULATIONS REGARDING RESTRICTIONS ON OLDER SHIPS HAVE LOWERED THE NUMBER OF VESSELS WAITING IN THE OUTER HARBOR. AS THE GOODS NOW REACHING JIDDA ARE USED UP AND CONSUMED, AND AS THE ECONOMY EXPANDS THERE WILL BE INCREASED DEMAND FOR REPLENISHMENT. ALL OF THE NEW DWELLINGS BEING BUILT WILL REQUIRE THOUSANDS OF TONS OF FURNITURE AND OTHER APPLIANCES FOR COMPLETION. AN AMERICAN FEMALE VISITOR EXPLORING THE MARKET RECENTLY LEFT WITH AN ORDER FOR 200 LAMPS.

7. THE FOCUS OF COMMERCIAL ACTIVITY APPEARS TO BE SHIFTING STEADILY TO RIYADH WHERE SOME OF THE LARGER BUILDING PROJECTS WILL OCCUR, SUCH AS THE PROJECTED NEW FOREIGN MINISTRY, NEW HIGHWAYS, A NEW AIRPORT AND INTENSIVE ELECTRIFICATION PLANS. ALTHOUGH JIDDA REPORTEDLY ACCOUNTS FOR SOME 75 PERCENT OF SAUDI COMMERCE, MANY OF THE MEDIUM AND LARGE SAUDI FIRMS ARE

FINDING IT PRACTICAL TO ESTABLISH OR EXPAND ACTIVE
BRANCH OFFICES IN RIYADH TO TAKE ADVANTAGE OF COUNTRY-
WIDE GOVERNMENT PURCHASE AND CONTRACT OPPORTUNITIES.
FOREIGN BUSINESSMEN ARE ALSO TENDING TO VISIT RIYADH
MORE FREQUENTLY, OFTEN AT THE BEHEST OF SAUDI FIRMS.

8. IT WOULD BE OF INTEREST TO KNOW WHETHER THE CURRENT
LULL IN COMMERCIAL ACTIVITY, PARTICULARLY BY US BUSINESS-
MEN, IS BEING EXPERIENCED BY OTHER POSTS IN THE AREA.
PORTER

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